



The Office Of  
State Treasurer  
Denise L. Nappier

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# Statement

FOR IMMEDIATE RELEASE  
February 8, 2018

**STATEMENT OF STATE TREASURER DENISE L. NAPPIER CONCERNING THE  
PROPOSED RESTRUCTURING OF PAYMENTS INTO  
THE TEACHERS' RETIREMENT FUND**

"I strongly oppose the Governor's effort to undercut the funding discipline that is in place for the Teachers' Retirement Fund. His idea to restructure payments, by essentially moving the goal post farther down the field, will violate an important bond covenant and trigger a technical default of the State's promise to bondholders. This technical default would need to be included in bond disclosure documents, which could lead to less interest in the market for our bonds and increase the overall cost of borrowing.

Connecticut has never before defaulted on its covenants. Once that line is crossed, the rating agencies may take a dim view of our promises, the consequences of which we will face for a generation.

To be clear, I too, am concerned over estimates of dramatic increases over the next decade in the annual required contributions to the Teachers' Retirement Fund. Rather than jeopardize our State's credibility in the financial markets, there is another path forward. We can avoid the doomsday scenario that some have painted, and we can minimize the burden of escalating payments on taxpayers and future generations – all while maintaining a disciplined approach to funding the State's long-term obligations.

The so-called \$6 billion spike in payments into the fund? It simply won't happen. First, it was calculated using inconsistent and inflammatory assumptions. Second, after 2025, we can pay off the outstanding pension obligation bonds for roughly \$2.1 billion, an amount equal to the estimated required contribution for that year. At that point, the bond covenant would disappear and the State could then restructure the payment period by extending the amortization schedule for the remaining liability.

Of course, this plan could effectively work only if there is an ironclad commitment to paying what is required into the teachers' fund each and every year. Funding discipline is essential. Without it, the State will be vulnerable to the habits of old that led to the problems we currently face -- with an underfunded, unhealthy pension fund, and soaring long-term obligations.

The Governor seems intent on making changes that risk the State's credit, when what we really need is the discipline to stay on the current path until we can exercise a viable option in 7 years."

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